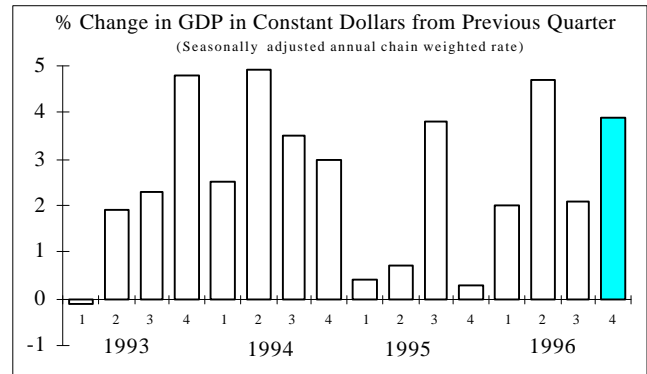


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1996 TRADE DEFICIT RISES TO 8 YEAR HIGH

The Commerce Department reported that the US trade deficit rose to \$114.2 billion in calendar year 1996, the largest deficit since 1988. Contributing to the growth in the deficit was the strong dollar and the weakness of several major trading partners' economies, which limited the growth of US exports. Also contributing were higher oil prices, which added \$7.75 billion to the deficit even though overall volume declined. The largest trade deficit was still with Japan, \$47.7 billion, a decline of 19% from last year. The second largest deficit was with China, \$39.5 billion, a 17% growth from last year.

FOURTH QUARTER GDP REVISED DOWNWARD

The Commerce Department revised downward its estimate of the real growth in the Gross Domestic product for the fourth quarter of 1996 from 4.7% to 3.9%. This decline in the GDP estimate was the result of a halving of the estimate of inventory accumulation. Looking ahead, Standard and Poors expects that first quarter growth will be more than 3%, which would be the strongest first quarter since 1992.

RUSSIAN TAX REVENUES SHORT OF TARGETS

Russian tax revenues, which were inadequate in 1996, continued to fall short of targets in January. According to the Associated Press/Dow Jones news service, receipts were 1/3 below and the budget deficit was 50% higher than IMF target levels. As a result of these conditions, the IMF has again delayed the release of a loan disbursement. In response to the low revenues, government officials are proposing plans to drastically cut spending, reduce tax exemptions, and delay plans to abolish certain tariffs.

LOW JAPANESE INTEREST RATES FUELING EXODUS OF CASH

The Japanese central bank discount rate currently stands at a record low 0.1%, a rate that is having unintended consequences world wide. This low rate, whose purpose is to stimulate the Japanese economy, has resulted in a massive exodus in cash from Japan to the US in search of higher yields. In 1996 Japanese investments in dollar assets more than tripled, contributing to recent price increases in US stock and bond markets.

FUEL PRICES(dollars/bbl) AND EXCHANGE RATES(foreign units/US dollars)

	<u>Feb 28</u>	<u>Feb 21</u>		<u>Feb 28</u>	<u>Feb 21</u>
Crude Oil (Foreign)	17.49	18.34	DM (Germany)	1.69	1.69
Crude Oil (Domestic)	20.30	21.63	Yen (Japan)	120.60	123.34
Pound (UK)	0.615	0.618	Peso (Mexico)	7.95	7.76
Ruble (CIS)	5683	5672	Won (S. Korea)	864	857